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FINANCIAL CONDITIONS

CALENDAR YEAR 1964

FINANCIAL RESEARCH BRANCH

DEPARTMENT OF ECONOMICS & DEVELOPMENT

PROVINCE OF ONTARIO

JANUARY 1965

INTRODUCTION

The purpose of this statement is to present a review of those effects and developments occurring during the calendar year 1964 on fiscal, financial, monetary conditions in Canada.

FINANCIAL CONDITIONS**CALENDAR YEAR 1964**

The present statement may be regarded as the financial section of the

1. general economic situation in Canada

2. fiscal situation in Canada

3. monetary policy in Canada, and

4. the value of the Canadian dollar, etc.

Special attention is given to Canada's position

in the world.

This statement was prepared by the Research Branch

with the assistance of Mr. G. J. Murphy.

Financial Research Branch
Department of Economics and Development
Province of Ontario
January 1965

(i)

INTRODUCTION

The purpose of this statement is to present a review of those events and developments occurring during the calendar year 1964 as they affected monetary conditions in Canada.

The statement covers such major aspects of the financial spectrum as:

- ... general monetary conditions in Canada
- ... bond markets in Canada
- ... security markets in Canada, and
- ... the value of the Canadian dollar, etc.

Special attention is focused upon Ontario's position in this respect.

This statement was prepared by Mr. R. W. Jones under the direction of Mr. H. I. MacKillop.

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General Monetary Conditions

The importance of external developments on monetary conditions in Canada was clearly visible during the calendar year 1964.

The passage of the U.S. Interest Equalization Tax Bill early in September 1964 clarified exemption provisions pertaining to Canadian bond financings in the United States market and thus reopened this source of funds to new Canadian provincial, municipal and corporate borrowings; this channel had been virtually closed since the initial announcement of the proposed tax in July 1963. This alleviated pressures on the domestic market and was a significant factor in the maintenance of the relative strength exhibited by bond prices in Canada throughout most of 1964.

The Bank Rate revisions announced towards the end of November (from 5% to 7% in the U.K., from $3\frac{1}{2}\%$ to 4% in the U.S.A. and from 4% to $4\frac{1}{4}\%$ in Canada) which stemmed from the United Kingdom's efforts to stabilize the value of the pound sterling, reflected all too clearly the international implications of any monetary measures designed to correct individual national situations. In Canada the impact of these measures was immediate as the entire interest rate structure of our security markets was adjusted upwards to reflect the bank rate change. However, prompt international assistance--i.e. Britain's announcement of arrangements for standby international funds totalling \$3 billion, sponsored by the central banks of eleven countries did much to allay fears of any immediate international monetary crisis. This in turn was reflected by a slight downward adjustment in our interest rate structure towards the end of 1964.

Throughout 1964 an expansionary policy was followed by the Bank of Canada and, while this contributed significantly to the relative stability of our security markets, nevertheless the effects of other internal developments (discussions pertaining to structural innovations in Canada's financial system, measures designed to encourage greater Canadian ownership and the possible establishment of a Federal-Provincial pension plan) were less discernible, though in the future these internal developments could have significant influences on the Canadian interest rate structure.

Review of the Canadian Financial System by
The Royal Commission on Banking and Finance

The Canadian financial system is the result of a process of growth and development extending over more than a century. Its evolution has been influenced by a number of factors: geographical, political and economic. While the broad framework of the structure is to a large extent similar to the financial systems of other developed democratic nations, nevertheless, a number of features are peculiar to this country.

In Canada, exclusive legislative authority over commercial banking rests with the Federal parliament. The banking system essentially comprises the Bank of Canada (the nation's central bank), the Industrial Development Bank (a subsidiary of the Bank of Canada) and the Chartered Banks. Other financial institutions, such as insurance companies, trust and loan companies and credit unions, perform banking functions, but at present are not permitted to call themselves banks. While the branch bank can be said to be the most distinctive feature of the Canadian financial system, many varied institutions have been developed with regard to mortgage lending, the bond and stock markets, agricultural credit, insurance and other related fields which together make up the financial machinery of Canada.

Major participants in the financial spectrum of the country are the eight chartered banks which operate for the most part on a nationwide scale. These institutions perform functions generally grouped under the heading "commercial banking" and, in the main, correspond to the joint-stock banks of the United Kingdom, the trading banks of Australia, and the member and non-member banks of the United States of America. Their Canadian name arises from the fact that they all hold charters under the Bank Act which is subject to decennial revision to keep it abreast of changing economic and commercial trends.

The existing Act was due for revision on July 1, 1964 but was extended for one year pending evaluation of the Report of the Royal Commission on Banking and Finance.

On Friday, April 24 the Report of the Royal Commission on Banking and Finance was publically released. The central theme of this 566 paged Report is that a creative and flexible financial system will best serve the country's changing needs:

"A creative financial system is one which does not just passively accommodate the usual--instead it is one in

which active and inventive efforts are constantly being made to meet the sound requirements of lenders and borrowers, regardless of how untried and unusual such needs may be. A spirit of vigorous, restless innovation in the financial system--of devising new ways to do new things rather than of justifying why they should never be done at all--can ordinarily best be achieved in conditions under which the participants are not prevented from responding to changed opportunities, in which price and other competition is too intensive to be comfortable, in which there is relative ease of entry for honest men with ideas and imagination, and in which different classes of institution can compete with each other on an equitable and open basis." (pp.8-9)

While some 300 specific recommendations and suggestions were contained in this Report, the major items may be summarized as follows:

I. Recommendations relevant to the Bank Act

- (a) Abolition of statutory six per cent ceiling on bank loans. (pp.364-7)
- (b) All institutions doing banking business should be brought under the Bank Act. (p.363)
- (c) The federal authority to have power to receive regular returns from the institutions under its jurisdiction (as is the case for the chartered banks and Quebec Savings Banks) and to require them to maintain adequate internal inspection procedures and be subject to outside audit. (p.381)
- (d) Minimum cash ratios be imposed on all banking institutions, that they vary with the nature of liabilities and that they be held at the Bank of Canada. (p.396)
- (e) That the right to accumulate specific reserves out of pre-tax earnings and set up contingency reserves out of pre-tax income be continued and extended to all banking institutions subject to a fixed ratio for the maximum of tax free reserves being set. (pp.386-7)
- (f) Banks should not be permitted to have controlling investments in other financial or commercial companies (other than wholly owned subsidiaries incorporated by the banks for specific purposes. (pp.371-2)
- (g) That all agreements among banking institutions affecting the terms and conditions of borrowing or lending be prohibited unless specifically approved by the Minister of Finance. (p.370)
- (h) That all direct or indirect acquisitions of shares of Canadian banking institutions by foreign banking interests require specific applications to and approval by the Treasury Board. (p.372)
- (i) That foreign banks should be able to apply for the right to open agencies which would be free to conduct all phases of their business, other than the acceptance of deposits in Canada. (p.372)

II. Recommendations referring to Mortgages

- (a) Allow mortgage lending by banks. (p.278)
- (b) The N.H.A. rate on new housing should be freed (subject to an upper limit) so that it does not inhibit private lending and discourage a secondary market in mortgages. (p.285)
- (c) The maximum loan to value ratio imposed on some of the major lending institutions be raised from 66 2/3% (60% for the Quebec savings banks) to 75%. (pp.287-8)
- (d) Banking institutions should be free to take second mortgages. (p.288)
- (e) That the number of approved N.H.A. lenders be augmented by admitting those caisses populaires and credit unions which wish to participate and have the facilities to do so efficiently. (p.286)
- (f) No N.H.A. loans on existing houses. (pp.278-9, 287-8)

III. Recommendations referring to lending - general

- (a) All banking institutions be empowered to make personal and commercial loans. (p.375)
- (b) That it be mandatory for all cash lenders to disclose the terms of conditional sales as well as cash loan transactions to the customer. In addition to indicating the dollar amount of loan of finance charges, the credit grantor should be required to express them in terms of the effective rate of charge per year in order that customers may compare the terms of different offers without difficulty. (pp.382)
- (c) Raise the maximum amount of regulated loans from the \$1,500 now imposed under the Small Loans Act to at least \$5,000. (p.382)
- (d) New interest rates on personal cash loans regulated by the Small Loans Act on all balances from \$300 to \$5,000. (p.382)
- (e) Withdrawal of Government guarantees on bank loans to farmers, small businesses and others -- That where guarantees are introduced they should be specifically intended as temporary measures. (pp.125, 232&4)
- (f) Interest rates on guaranteed loans should be set initially at reasonable levels and move up and down with other lending rates--i.e. farm credit, etc. (pp.125, 232&4)

IV. Recommendations referring to the Security Markets and Investments

- (a) Higher listing standards for shares. (p.337)
- (b) Enactment of a tougher de-listing policy. (p.342)
- (c) An end to primary distribution of stock on exchanges. (p.340)
- (d) Curbing of abuses by company insiders. (p.340)
- (e) Fuller disclosure by listed companies, including sales figures. (p.336)
- (f) Legislation to control takeover bids. (p.351)

- (g) Closer supervision of securities salesmen. (p.347)
- (h) Establishment of a federal regulatory agency, which would at first require only the registration of issues being distributed interprovincially, and would enforce the securities fraud clauses of the Criminal Code, via stiffer laws. (pp.343, 355)
- (i) Fuller disclosure of mutual fund investment policies. (pp.254-6)
- (j) More pension fund investment regulation. (pp.260-1)
- (k) Wider stock investment power for life insurance companies. (pp.247-50, 336)

V. Other General Recommendations

- (a) Greater supervision of credit unions. (pp.168-71)
- (b) Fewer sales of Canada Savings Bonds at less attractive rates. (pp.287, 458-9)
- (c) Creation of regional development funds in areas of heavy unemployment.
- (d) The adoption and retention of the fixed exchange rate by Canada, and the existing level of parity at $92\frac{1}{2}$ cents in terms of U.S. dollars. (pp.480&503)
- (e) To avoid, via government action, any and all restrictions that might deter the flow of foreign capital into Canada. (pp.497, 528, 502-4)
- (f) The Bank of Canada Act should be amended to provide the Minister of Finance with the right to issue a directive to the Bank if the government disapproves of its policy. (pp.540-4)

On Friday, November 27, Finance Minister Gordon introduced to the Commons a motion for revision of the Bank Act and its extension to July 1, 1965. The provisions of the Bill will not become public until the resolution is passed by the Commons, which opens the way for first reading--or publication. The Bill will then go to second reading and then to committee stage.

It would be unrealistic to assume that all of the Reports' recommendations, which the Government is prepared to act upon immediately, will be included in this single Bill but nevertheless, evidence of the Government's reaction to the Report will shortly be available.

Notwithstanding the number of measures actually implemented, the Report undoubtedly will stand for many years as terms of reference for Canadian banking and financial institutions.

Canadian Money Markets - 1964

Apart from a few isolated periods, the expansionary policy pursued by the Bank of Canada resulted in a gradual downward adjustment of the interest rates structure of the Canadian money market in the first half of calendar 1964. By late June, however, the demand for short-term loanable funds showed signs of increasing at a greater rate than its corresponding supply did and thus interest rates began to rise. This uptrend in the costs of borrowing was further signalled by the increase in Canada's Bank Rate on November 24 from 4 per cent to $4\frac{1}{4}$ per cent, which followed the increase in the United Kingdom Bank Rate from 5 per cent to 7 per cent and the corresponding increase in the U.S.A. from $3\frac{1}{2}$ per cent to 4 per cent. Immediately thereafter credit conditions were subject to upward pressures though by mid-December an easement did become apparent. This downward adjustment was then maintained until year end. Nevertheless, the yields obtainable on most short-term Canadian securities comprising the money market at the close of 1964 were fractionally above those offered at its commencement.

The total supply of money in Canada, after declining to a low of \$15.8 billion by mid-January, gradually advanced on average thereafter to close the year at a level of \$17.9 billion. This six per cent annual advance almost coincides with the estimated 1964 growth in gross national product, excluding price increases. The rate of increase in general bank loans, however, exceeded 15 per cent, rising by \$1.1 billion to a total of \$8.2 billion.

The day-to-day loan rate which opened the year at $3\frac{1}{2}$ per cent reached a high of $3\frac{7}{8}$ per cent late in March but declined thereafter to a low of 3 per cent in May. From then until the end of the year an upward adjustment ranging up to three-quarters of a point prevailed, with the rate closing the year at $3\frac{5}{8}$ per cent.

Yields available on Government of Canada 91- and 182-day Treasury Bills showed a similar trend. The former, which commenced January at 3.78 per cent, reached its year's high of 3.90 per cent on March 4th; it then declined to a low of 3.53 per cent on June 12th. Subsequently, yields on average tended to advance until late in November again approaching the year's high. However, during December yields declined to close the year at 3.82 per cent. The 182-day Treasury Bill which opened

the year with an average yield of 3.99 per cent reached a high of 4.02 per cent similarly on March 4th then declined to a low of 3.69 per cent on June 12th, only again to raise and close the year offering 3.96 per cent. The total amount of Canada Treasury Bills outstanding declined by \$100 million over the year to close at \$2,140 million. Amounts of 91-day Canadian Treasury Bills on offer at the weekly auctions ranged from \$90 million to \$120 million while the sale of 182-day bills was held constant at \$30 million.

Prime finance and commercial paper rates reflected this changing interest rate structure by closing the year higher on average by almost one-quarter of one per cent.

Certain of these trends in the Canadian money market are briefly illustrated in the following table. Fuller details are shown in the Table B-I.

| Treasury Bills | | | | | |
|--------------------|---|---|-------------------------------|--------------------------------|-------------------------|
| | Day-to-day Loan Rate (Closing) % | Total Amount Outstanding \$million | Yield 91-day Bills % | Yield 182-day Bills % | Rediscount Rate % |
| 1963 - December 27 | 3 $\frac{1}{4}$ | 2,240 | 3.78 | 3.99 | 4.03 |
| 1964 - January 30 | 3 $\frac{3}{8}$ | 2,230 | 3.77 | 3.94 | 4.02 |
| February 26 | 3 $\frac{7}{8}$ | 2,230 | 3.88 | 4.02 | 4.13 |
| March 26 | 3 $\frac{3}{4}$ | 2,230 | 3.88 | 4.04 | 4.13 |
| April 24 | 3 $\frac{3}{8}$ | 2,130 | 3.70 | 3.85 | 3.95 |
| May 29 | 3 | 2,130 | 3.58 | 3.74 | 3.83 |
| June 26 | 3 $\frac{1}{2}$ | 2,130 | 3.59 | 3.75 | 3.84 |
| July 31 | 3 $\frac{3}{4}$ | 2,130 | 3.67 | 3.83 | 3.92 |
| August 28 | 3 $\frac{3}{4}$ | 2,130 | 3.80 | 3.95 | 4.05 |
| September 25 | 3 $\frac{3}{4}$ | 2,130 | 3.79 | 3.94 | 4.04 |
| October 29 | 3 $\frac{5}{8}$ | 2,130 | 3.70 | 3.86 | 3.95 |
| November 27 | 3 $\frac{3}{4}$ | 2,150 | 3.87 | 4.06 | 4.12(1) |
| December 31 | 3 $\frac{5}{8}$ | 2,140 | 3.82 | 3.96 | 4.07 |

(1) The bank rate was increased to 4 $\frac{1}{4}$ % on November 23

Source: Equitable Securities Canada Ltd.

Canadian Bond Markets - 1964Government of Canada

Except when external influences temporarily interfered with the markets, prices of most outstanding Canada issues fluctuated within a narrow range throughout 1964 and closed the year at slightly higher levels than had prevailed at its commencement (See Table B-4).

Minor downward price adjustments occurred during the first quarter of the year. The virtual closure of the United States market to new Canadian provincial, municipal and corporate financings necessitated that these essential borrowings be raised on the domestic market. As a consequence of the competition for funds among all these borrowers, higher yields prevailed.

From April until late November prices of outstanding Canada issues remained relatively stable. The strength of the market which was reflected during this period undoubtedly was largely attributable to the policy of the Bank of Canada in its maintenance of easy credit conditions coupled with the gradual opening up of the United States market to Canadian bond financings.

A decisive and sharp price decline was registered in all sectors of the Canada bond market late in November following the Bank Rate changes in the United Kingdom, the United States and Canada. However, shortly thereafter a strong recovery took place which was maintained until the close of calendar 1964. An indication of the immediate impact of the Bank Rate changes and the extent of the subsequent recovery of bond prices in Canadian bond markets is shown for selected issues in the table following:

COMPARISON OF YIELDS OBTAINABLE ON SELECTED GOVERNMENT OF CANADA,
 PROVINCIAL, MUNICIPAL AND CORPORATE OUTSTANDING BOND ISSUES, FOR
SELECTED DATES IN THE LAST QUARTER OF 1964.

| | <u>Nov. 25</u> % | <u>Prior Week</u> % | <u>Prior Month</u> % | <u>Year end</u> % |
|-------------------------------|---------------------|----------------------------|-----------------------------|--------------------------|
| <u>Government:</u> | | | | |
| Canada 3 3/4% Sept. 1/65 | 4.18 | 3.92 | 4.22 | 3.89 |
| Canada 4 1/4% Sept. 1/72 | 5.04 | 4.80 | 4.95 | 4.84 |
| Canada 4 1/2% Sept. 1/83 | 5.11 | 5.00 | 5.15 | 5.00 |
| <u>Provincial:</u> | | | | |
| Nova Scotia 5 1/2% March 1/84 | 5.38 | 5.31 | 5.46 | 5.36 |
| Quebec 5 1/2% June 15/86 | 5.60 | 5.49 | 5.61 | 5.54 |
| <u>Municipal:</u> | | | | |
| Toronto 5 1/2% Dec. 1/84 | 5.45 | 5.36 | 5.56 | 5.43 |
| Montreal 5 3/4% June 1/89 | 5.75 | 5.71 | 5.83 | 5.63 |
| <u>Corporate:</u> | | | | |
| Bell Tel. 5 3/4% Aug. 2/82 | 5.52 | 5.48 | 5.53 | 5.50 |
| Dom. Tar 5 1/2% April 1/82 | 5.55 | 5.50 | 5.50 | 5.48 |

Source: Gairdner & Co. Ltd.

Provincial

Trading activity on the Provincial bond market closely patterned that of the Canada bond market during the calendar year 1964. Yields on outstanding issues edged fractionally higher early in the year, stabilized during April and thereafter gradually declined, and, apart from the immediate period following the Bank Rate changes, continued to fractionally decline until the end of the year. As a consequence, prices of most outstanding provincial issues closed the year registering price gains ranging from a few cents to amounts exceeding two dollars on a \$100.00 bond (See Table B-7).

Municipal

Price fluctuations on the Municipal bond markets were not so marked as in previous years. However, they tended to closely correspond to the pattern set by senior government issues, namely, slight deterioration early in the year, followed by a lengthy period of relative stability and a year end appreciation (See Table B-7). Municipal issues raised in the U.S. market accounted for some 22 per cent by value of all new municipal issues floated in 1964.

Corporate

Light trading volume and slight price deterioration characterized activity on the Corporate bond market during the first quarter of calendar 1964. Prices of outstanding issues thereafter tended to fluctuate irregularly until the end of August. Contributory factors were the increase in private placements and volume of new issues coming to the domestic market. Pressure on the market subsided substantially immediately prior to and after passage of the U.S. Interest Equalization Tax on September 2, 1964, when exemption conditions for Canadian financings were clarified. Price improvement was maintained thereafter until the end of the year. Most outstanding corporate issues closed the year at levels fractionally above those quoted at its commencement (See Table B-7).

Of the \$1 billion new corporate bond financings floated in 1964 (an increase of almost 53 per cent above 1963's total), some 23.5 per cent by value were raised in the U.S. market. Of this U.S. financing, slightly more than 59 percent of its total was carried out and completed during the last quarter of the year.

Summary of New Canadian Bond Financings

New Canadian bond financings during calendar 1964 totalled \$4.5 billion, up 11 per cent from the \$4.1 billion raised in the same period last year. The only sectors to register fractional declines in terms of sales were the Federal and Western Municipal issues. The largest percentage increase in overall new bond financings occurred in the corporate sector which rose by almost 53 per cent. New corporate bond financings totalled just over \$1 billion in calendar 1964 as compared with \$0.7 billion in 1963. The only other sector exhibiting a substantial increase was Quebec and Maritime Municipal issues whose total value by sales rose to \$345.4 million (\$274.6 million in 1963), an increase of almost 26 per cent.

Eighty-five percent of the new borrowings were raised in Canada and the remaining fifteen percent in the U.S.A.

A prominent factor influencing the volume and particularly the source of new Canadian bond financings in 1964 continued to be the proposed U.S. Interest Equalization Tax Bill. Until the final provisions of this Bill were enacted on September 2, 1964 the United States market was largely closed to new issues of Canadian borrowers and consequently domestic financing in Canada was correspondingly high. However, immediately the exemption conditions pertaining to Canadian borrowings were clarified, there was a substantial increase in financings on the part of Canadian provincial, municipal and corporations in the United States of America. For example, during the first eight months of 1964, new Canadian bond financings payable in U.S. funds totalled \$260.8 million but by the end of the year had reached a level of \$676.8 million, an increase of \$416.0 million in the final four months of the year. While this \$676.8 million of new Canadian bond financings raised in the United States market exceeds 1963's total by some \$107 million, nevertheless it is also some \$163 million less than the amount raised from this source in 1962.

A summary of the sales of Canadian bonds for calendar years 1963 and 1964 follows:

New Canadian Bond Financing

| Canadian Bond Financing January 1st to December 31st | 1963 | | 1964 | | Percentage change 1964 over 1963 % |
|---|----------------------|--------------------|----------------------|--------------------|--|
| | Amount \$ | % of Total % | Amount \$ | % of Total % | |
| Canadian Direct and Guaranteed(1) | 1,674,527,850(2) | 41.2 | 1,663,000,000(2) | 36.9 | -0.7 |
| Provincial Direct and Guaranteed(1) | 1,156,394,207 | 28.4 | 1,171,839,200 | 26.0 | +1.3 |
| Ontario Municipal | 196,406,903 | 4.8 | 202,865,788 | 4.5 | +3.3 |
| Quebec and Mari- time Municipal | 274,641,700 | 6.8 | 345,374,100 | 7.6 | +25.8 |
| Western Municipal | 65,512,301 | 1.6 | 63,929,138 | 1.4 | -2.4 |
| Corporation | <u>698,689,900</u> | <u>17.2</u> | <u>1,065,808,900</u> | <u>23.6</u> | <u>+52.5</u> |
| | <u>4,066,172,861</u> | <u>100.0</u> | <u>4,512,817,126</u> | <u>100.0</u> | <u>+11.0</u> |
| Payable in Canadian Funds | 3,531,352,195 | 86.8 | 3,836,049,864 | 85.0 | +8.6 |
| Payable in U.S. Funds | <u>534,820,666</u> | <u>13.2</u> | <u>676,767,262</u> | <u>15.0</u> | <u>+26.5</u> |
| | <u>4,066,172,861</u> | <u>100.0</u> | <u>4,512,817,126</u> | <u>100.0</u> | <u>+11.0</u> |
| Refunding | 554,384,547 | 13.6 | 949,435,712 | 21.0 | +71.3 |
| New Money | <u>3,511,788,314</u> | <u>86.4</u> | <u>3,563,381,414</u> | <u>79.0</u> | <u>+1.5</u> |
| | <u>4,066,172,861</u> | <u>100.0</u> | <u>4,512,817,126</u> | <u>100.0</u> | <u>+11.0</u> |

(1) Over two years in term

(2) Includes Sales of Canada Savings Bonds as follows:

1963 - \$1,049,527,850;

1964 - \$683,000,000 as at November 13, latest figure available

Source: Wood Gundy & Company Ltd.



The Province of Ontario and H.E.P.C. Guaranteed Issues

The Province of Ontario went to the market on two separate occasions during calendar 1964 for total borrowings of \$110 million. Initially, in March it raised a two-part \$50 million issue consisting of \$8.5 million 5% non-callable debentures due April 15, 1973, priced at \$98.58 to yield 5.20%, and \$41.5 million $5\frac{1}{4}\%$ bonds due April 15, 1981/84, priced at \$97.58 to yield 5.45%. In November, the Province floated a \$60 million $5\frac{1}{4}\%$ debentures issue due December 1, 1980/84, priced at \$98.75 to yield 5.35%. In addition, the Province guaranteed principal and interest payments on \$140 million worth of Ontario H.E.P.C. new bonds floated during calendar 1964. The first of these new issues, raised on the Canadian market, was a \$75 million two-part offering in January comprising a \$15 million 5% non-callable issue due February 1, 1971, priced at \$99.375 to yield 5.11% and a \$60 million $5\frac{1}{4}\%$ issue due February 1, 1981/84 priced at \$97.25 to yield 5.48%. The second financing occurred in September via a \$65 million issue of $5\frac{1}{4}\%$ bonds due to mature October 1, 1980/84. This issue was priced at \$97.50 to yield 5.46%.

A statistical presentation of these financings is shown below.

New Province of Ontario Bonds and H.E.P.C. Guaranteed Issues, 1964

| <u>Ontario</u> | <u>Issue date</u> | <u>Amount \$ million par value</u> | <u>Coupon Rate %</u> | <u>Price \$</u> | <u>Date of Maturity</u> | <u>Yield to Maturity %</u> |
|----------------|-------------------|--|------------------------------|---------------------|-----------------------------|------------------------------------|
| | April 15, 1964 | 8.5 | 5.0 | 98.58 | April 15, 1973 | 5.20 |
| | | 41.5 | 5.25 | 97.58 | April 15, 1981/84 | 5.45 |
| | Dec. 1, 1964 | 60.0 | 5.25 | 98.75 | Dec. 1, 1980/84 | 5.35 |

Hydro-Electric Power Commission

| | | | | | |
|-----------------|------|------|--------|-----------------|------|
| Feb. 1, 1964 | 15.0 | 5.0 | 99.375 | Feb. 1, 1971 | 5.11 |
| | 60.0 | 5.25 | 97.25 | Feb. 1, 1981/84 | 5.48 |
| October 1, 1964 | 65.0 | 5.25 | 97.50 | Oct. 1, 1980/84 | 5.46 |

Ontario Municipal Bonds

The total value by sales of Ontario Municipal bond issues during the calendar year 1964 increased by only 3.3 per cent to \$202.9 million as compared with the 1963 total of \$196.4 million. They accounted for 33.1% of all Canadian Municipal bond issues raised during calendar 1964.

An indication of the costs of borrowing for selected Ontario municipalities since 1950, is shown in the table following:

INTEREST COST OF BORROWINGS TO FOUR REPRESENTATIVE MUNICIPALITIES IN ONTARIO
DURING 1950 to 1964

| | Metropolitan Toronto(1) | | City of Ottawa | | City of Barrie(2) | | Township of Nepean | |
|------|----------------------------|-----------------------|-------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | Amount \$000's | Interest Cost % | Amount \$000's | Interest Cost % | Amount \$000's | Interest Cost % | Amount \$000's | Interest Cost % |
| 1950 | 9,165 843.3 15,000 | 2.76 2.35 2.76 | 7,000 2,936 | 2.92 3.50 | 601 160.8 | 3.13 3.19 | - | - |
| 1951 | 20,000 5,568 | 3.49 3.79 | 8,561 | 3.48 | 580 | 4.44 | 94 | 4.55 |
| 1952 | 10,774 | 3.98 | 505 2,032 | 3.95 4.20 | 218.9 | 4.63 | 70 | 4.87 |
| 1953 | 12,000 12,610 | 4.24 4.50 | 3,417 | 4.08 | 148.2 | 4.60 | 258 75 | 4.96 4.90 |
| 1954 | 30,235 26,155 | 3.63 3.56 | 4,304 | 3.22 | 324 136 | 4.23 3.65 | 180 | 4.04 |
| 1955 | 31,714 28,169 | 3.58 3.88 | 2,219 | 3.88 | 110.3 | 4.27 | - | - |
| 1956 | 28,580 36,454 | 4.58 4.48 | 8,058 | 4.12 | 800 | 4.78 | - | - |
| 1957 | 20,090 26,694 39,372 | 5.43 5.10 5.20 | 3,365 10,761 | 5.45 4.99 | 455.5 | 6.02 | 45 | 5.12 |
| 1958 | 29,640 39,587 | 4.13 4.85 | 3,676 6,206 | 4.55 5.09 | 753 | 5.51 | 253 | 5.65 |
| 1959 | 26,259 39,982 24,357 | 5.47 5.22 6.46 | 17,364 | 5.69 | 526 | 6.60 | - | - |
| 1960 | 41,318 24,256 29,350 | 5.25 6.03 5.68 | 17,474 | 5.73 | 912.5 | 5.93 | 364 | 5.94 |
| 1961 | 34,147 33,265 | 5.81 5.67 | 15,765 | 5.49 | 918.0 | 5.40 | 577 | 5.81 |
| 1962 | 30,063 20,189 30,209 | 5.67 5.60 5.66 | 4,898 | 5.51 | - | - | 2,391.9 | 5.50US |
| 1963 | 30,634 28,809 30,976 | 5.46 5.34 5.57 | 16,039 | 5.49 | 765 | 5.54 | 906 | 5.60 |
| 1964 | 32,298 31,813 33,513 | 5.69 5.67 5.59 | 2,855 4,796 | 5.62 5.49 | 1,250 | 5.70 | 4,928.5 | 5.95 |

(1) City of Toronto in 1950-53
(2) Town of Barrie in 1950-58

Canada Savings Bonds

On Thursday, September 17, the terms of the 19th series of Canada Savings Bonds were announced. The rate of return on the new bonds is 5% if they are held to maturity in 10 years (November 1, 1974); interest will be paid at the rate of $4\frac{1}{2}\%$ for the first two years, 5% for the next five years, and $5\frac{1}{2}\%$ for the final three years. These bonds, issued in denominations of \$50, \$100, \$1,000 and \$5,000 are limited to a total purchase of \$10,000 per buyer. As in previous years, the new Canada Savings Bonds are redeemable anytime at full face value plus earned interest.

In announcing the issue of these bonds, Finance Minister Gordon said he is confident the new issue will be "very attractive" to both cash and payroll-savings buyers. He expressed the hope that last year's sales of \$229 million in Savings Bonds to 665,600 employees will be exceeded this year.

The total of Savings Bonds in the hands of the public as of December amounted to some \$5,617 million--constituting just over 27% of the Government's total outstanding debt. A table showing the details of outstanding Canada Savings Bonds follows:

DETAILS OF OUTSTANDING CANADA SAVINGS BONDS

| <u>Year of Issue</u> | <u>Series</u> | <u>Maturity Date</u> | <u>Coupon Rate</u> | <u>Original Yield to Maturity</u> |
|---------------------------|---------------|----------------------|---|-----------------------------------|
| 1953 | 8 | 1 November 1965 | 3 3/4% | 3.75% |
| 1954 | 9 | 1 November 1966 | 3 1/4% | 3.25% |
| 1955 | 10 | 1 November 1967 | 3 1/4% | 3.25% |
| 1956 | 11 | 1 May 1969 | 4% to May 1969 | 3.76% |
| 1957 | 12 | 1 November 1970 | 4 3/4% to Nov. 1970 | 4.46% |
| 1958 | 13 | 1 November 1973 | 4 1/4% to Nov. 1973 | 4.19% |
| 1959* | 14 | 1 November 1968 | 5% to Nov. 1968 | 4.98% |
| * +3% premium at maturity | | | | |
| 1960 | 15 | 1 November 1970 | 4 1/2% to Nov. 1963 4 3/4% to Nov. 1964 5% to Nov. 1970 | 4.71% |
| 1961 | 16 | 1 November 1971 | 4 1/2% to Nov. 1968 5% to Nov. 1971 | 4.60% |
| 1962 | 17 | 1 November 1976 | 4 1/2% to Nov. 1965 5% to Nov. 1968 5 1/2% to Nov. 1976 | 5.11% |
| 1963 | 18 | 1 November 1975 | 4 1/2% to Nov. 1965 5% to Nov. 1971 5 1/2% to Nov. 1975 | 5.03% |
| 1964 | 19 | 1 November 1974 | 4 1/2% to Nov. 1966 5% to Nov. 1971 5 1/2% to Nov. 1974 | 5.00% |

Canadian Stock Markets, 1964

Record trading activity featured the six exchanges in Canada this year. Almost two billion shares with a value of some \$4.3 billion were handled, exceeding the previous high of 1.8 billion shares with a value of \$3.9 billion achieved in 1955. The value of transactions on the Toronto Stock Exchange alone in 1964 amounted to just over \$3 billion--an impressive 42 per cent increase over the previous year.

Though investor sensitivity to domestic and foreign developments dampened down investor interest towards the end of 1964, nevertheless stocks generally closed the year having registered greater price gains than in 1963. For example, the Toronto Stock Exchange Industrial Index closed the year at a level of 165.91, an advance of almost 21 per cent as compared to an 11 per cent appreciation in 1963.

The ability of the markets to quickly absorb such unsettling external political developments as the hostilities in Vietnam, the U.S. and U.K. election campaigns, the downfall of Premier Khrushchev and the Chinese A-blast clearly demonstrated that investment decisions in 1964 were mostly influenced by those domestic and foreign events which affected or appeared likely to affect prevailing buoyant business conditions and future prospects.

Record export sales, base metal prices and the continued growth of corporate profits and dividends prompted a steady uptrend in prices of both industrial and mining equities until late November. Thereafter such developments as the reduction in newsprint prices by certain West Coast producers, the United Kingdom sterling crisis and the resultant increase in bank rates by the U.K., the U.S.A. and Canada, as well as profit taking, had a depressing effect on prices.

Changes in representative stock indices during 1964 are illustrated in the following table:

COMMON STOCK AVERAGES

| | <u>Dec. 31</u> <u>1964</u> | <u>Dec. 31</u> <u>1963</u> | <u>% Change from</u> <u>Dec. 31, 1963</u> | <u>1963-64</u> | |
|------------------------------------|-------------------------------|-------------------------------|--|----------------|------------|
| | | | | <u>High</u> | <u>Low</u> |
| T.S.E. Composite (113 Stocks) | 155.33 | 128.55 | +20.8 | 158.83 | 117.80 |
| T.S.E. Industrials | 165.91 | 137.49 | +20.7 | 170.05 | 124.49 |
| T.S.E. Golds | 176.00 | 129.21 | +36.2 | 183.82 | 120.56 |
| T.S.E. Base Metals | 73.30 | 58.90 | +24.4 | 73.62 | 56.66 |
| T.S.E. Western Oils | 92.40 | 82.38 | +12.2 | 103.02 | 77.52 |
| M.S.E. Papers | 139.30 | 117.40 | +18.7 | 150.80 | 99.50 |
| N.Y. Industrials (Dow Jones) | 874.13 | 762.95 | +14.6 | 891.71 | 646.79 |
| Standard & Poor's (500 Stocks) | 84.75 | 75.72 | +11.9 | 86.66 | 62.62 |
| London Industrials (Fin. Times) | 335.00 | 348.30 | -3.8 | 377.80 | 279.60 |

Source: Dominion Securities Corp. Ltd.

A table illustrating trends in industrial stock indices in Canada and the U.S.A. since 1948 is presented as Appendix B-8.

Statistics published by the Toronto Stock Exchange indicate that the volume of all shares traded on the Toronto Stock Exchange in 1964 was 62.5 per cent higher than in 1963. The value of shares traded rose by 42.3 per cent over the same period. A comparison of the volume and value of shares traded each month on the Toronto Stock Exchange during 1964 and 1963 follows:

T.S.E. Share Volume and Values

| <u>Month</u> | <u>1964</u> | | <u>1963</u> | |
|--------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Value</u> <u>\$</u> | <u>Volume</u> <u>#</u> | <u>Value</u> <u>\$</u> | <u>Volume</u> <u>#</u> |
| January | 252,590,095 | 104,590,959 | 240,193,201 | 77,858,439 |
| February | 187,513,867 | 71,991,417 | 209,683,278 | 74,299,803 |
| March | 223,673,803 | 88,898,964 | 163,553,394 | 68,823,954 |
| April | 350,273,263 | 261,521,637 | 206,640,486 | 67,198,773 |
| May | 273,413,966 | 107,636,185 | 228,410,176 | 76,351,499 |
| June | 255,506,512 | 103,008,927 | 161,452,836 | 82,707,061 |
| July | 290,859,567 | 156,602,994 | 145,690,407 | 58,946,538 |
| August | 183,436,313 | 69,859,657 | 110,378,243 | 47,105,450 |
| September | 241,277,704 | 75,953,469 | 152,954,793 | 52,257,478 |
| October | 244,810,593 | 72,083,312 | 201,011,182 | 60,829,413 |
| November | 320,292,787 | 114,875,376 | 162,359,572 | 66,512,133 |
| December | 226,930,079 | 87,109,430 | 161,560,555 | 75,961,559 |
| Total | 3,050,578,549 | 1,314,656,131 | 2,143,888,123 | 808,852,100 |

Source: Toronto Stock Exchange Review - December 1964

A year end statement by the Chairman and President of the Toronto Stock Exchange concluded with the following:

"In the months ahead, two things seem reasonably certain. There will be further beneficial changes in the practices and policies of the investment industry. At the same time, there is every reason to believe that the Canadian economy will continue to expand at a very satisfactory rate and this, taken together with improved security and company legislation, with more disclosure of corporate information, with better trained personnel in the investment industry and with increased knowledge on the part of the public, should result in an ever expanding body of Canadians owning shares in their own resources and in their country's industries."

According to figures released by the Financial Post, dividend payments by Canadian companies during 1964 are 11.2% higher than in 1963. Final figures for 1964 totalled \$1,151 million as compared with \$1,035 million at the same time last year. The monthly totals are as follows:

MONTHLY DIVIDENDS AND DECLARATIONS

| | <u>1962</u> | <u>1963</u> | <u>1964</u> |
|-----------|--------------------|--------------------|--------------------|
| | \$ | \$ | \$ |
| January | 80,253,554 | 90,876,237 | 101,422,488 |
| February | 46,805,360 | 49,954,774 | 51,312,919 |
| March | 99,545,911 | 111,676,569 | 121,373,963 |
| April | 70,598,346 | 80,526,279 | 85,137,377 |
| May | 37,487,497 | 43,233,951 | 40,088,625 |
| June | 127,271,410 | 127,975,100 | 142,644,911 |
| July | 74,270,055 | 81,469,977 | 113,035,678 |
| August | 54,140,088 | 48,258,806 | 35,648,445 |
| September | 99,881,332 | 116,091,618 | 133,171,993 |
| October | 72,493,014 | 76,516,181 | 87,678,023 |
| November | 64,076,681 | 42,687,229 | 47,219,779 |
| December | <u>167,935,508</u> | <u>166,731,134</u> | <u>192,005,274</u> |
| Total | 994,758,746 | 1,035,497,855 | 1,150,739,475 |

Foreign Exchange - 1964

Canada's official holdings of gold and U.S. dollars reached an all time high of \$2,743.4 million by the end of November with all obligations to the International Monetary Fund incurred in June 1962 having been repaid in full. At the close of 1964, however, this total had declined by \$69.1 million to \$2,674.3 million. Seasonal influences affecting the pattern of Canada's foreign trade, year-end interest and dividend remittances to non-residents together with a special loan of \$60 million through the International Monetary Fund to the United Kingdom were the principal factors accounting for this decrease in reserves.

A table showing changes in Canada's official holdings of gold and U.S. dollars from 1961 to 1964 follows:

Canada's Official Holdings of Gold and U.S. Dollars
(\$ Millions U.S.)

| <u>End of</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> | <u>1964</u> |
|---------------|-------------|-------------|-------------|-------------|
| January | 1,892.5 | 1,921.9 | 2,662.5 | 2,582.4 |
| February | 1,911.9 | 1,746.7 | 2,593.9 | 2,542.3 |
| March | 1,934.9 | 1,709.4 | 2,600.1 | 2,465.5 |
| April | 1,935.2 | 1,594.8 | 2,671.4 | 2,481.1 |
| May | 1,949.2 | 1,492.8 | 2,712.0 | 2,509.4 |
| June | 1,985.2 | 1,808.7 | 2,691.6 | 2,533.9 |
| July | 1,960.3 | 2,114.4 | 2,501.0 | 2,533.9 |
| August | 1,944.4 | 2,330.6 | 2,470.5 | 2,575.9 |
| September | 1,924.3 | 2,444.6 | 2,568.3 | 2,624.5 |
| October | 2,110.6 | 2,613.9 | 2,581.4 | 2,686.6 |
| November | 2,078.8 | 2,607.5 | 2,631.0 | 2,743.4 |
| December | 2,055.8 | 2,539.4 | 2,595.0 | 2,674.3 |

Source: Bank of Canada Statistical Summary

Apart from minor downward adjustments early in 1964, the value of the Canadian dollar in terms of U.S. funds appreciated steadily throughout most of the year. Increased foreign receipts from Canada's export markets and accelerated borrowings in New York were major factors contributing to the strength of the Canadian dollar. From a low of 92.39 cents quoted in April the value of the Canadian dollar advanced to a high of 93.23 cents in November--the highest point attained since establishment of its par value

of 92.50 cents in May 1962. Despite a slight deterioration in December due to seasonal influences, the value of the Canadian dollar in terms of U.S. funds closed the year at a level of 93.125 cents. This is equivalent to a 7 3/8% premium on the U.S. dollar in Canada, the range for which during the year was 7 1/4% to 8 1/4%.

A persistently unfavourable trend in the United Kingdom's balance of payments placed the pound sterling under considerable pressure, particularly during the latter half of 1964. From mid-July until November the pound sterling was quoted only fractionally above its official floor of \$2.78 U.S. The resultant drain on Britain's official reserves consequent to the Bank of England's market intervention in an attempt to maintain the value of sterling undoubtedly was a major factor which gave rise to speculation against the pound. This speculation, which was particularly severe in the last week of November, was partially abated by the announcement on November 25 that Britain had made arrangements for standby international funds totalling \$3,000 million--three times the size of a loan being negotiated with the I.M.F. This new credit facility sponsored by the central banks of eleven countries (Austria, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland and the United States) heralded the largest support programme ever mounted for sterling and its introduction undoubtedly was prompted by a desire not only to assist the United Kingdom, but also to protect the prosperity of the entire industrialized free world. The rally in the value of the pound which followed this announcement and other subsequent measures introduced by the British Government to restore greater confidence in its currency however, slackened somewhat towards the end of 1964 in the face of Britain's large foreign-made deficit. In Canada, the pound at the close of 1964 was quoted at \$3.00, with the range for the year being \$2.98 1/2 to \$3.03 1/8.

A Table illustrating fluctuations in the value of the U.S. dollar and the pound sterling in Canada is shown below.

Foreign Exchange Rates

| | Average Spot Noon Rates | |
|----------------|--------------------------|-----------------------------|
| | U.S. Dollar in Canada | Pound Sterling in Canada |
| 1959 | 95.90 | 269.39 |
| 1960 | 96.97 | 272.28 |
| 1961 | 101.32 | 283.95 |
| 1962 | 106.89 | 300.15 |
| 1963 | 107.78 | 301.87 |
| 1964 - January | 108.09 | 302.62 |
| February | 108.03 | 302.25 |
| March | 108.03 | 302.50 |
| April | 108.06 | 302.56 |
| May | 108.09 | 302.06 |
| June | 108.06 | 302.12 |
| July | 108.19 | 301.94 |
| August | 107.81 | 300.62 |
| September | 107.53 | 299.44 |
| October | 107.53 | 299.50 |
| November | 107.41 | 298.88 |
| December | 107.50 | 300.00 |

Source: Bank of Canada Statistical Summary

A P P E N D I C E S

MONEY MARKET STATISTICS 1964

| | <u>Jan. 2</u> | <u>March 26</u> | <u>June 26</u> | <u>Sept. 25</u> | <u>Dec. 31</u> |
|---|---------------|-----------------|----------------|-----------------|----------------|
| <u>Money Supply</u> (\$ million) | 17,073 | 16,834 | 17,212 | 17,197 | 17,933 |
| <u>Chartered Banks, General Loans</u> (\$ million) | 7,141 | 7,250 | 7,790 | 8,971 | 8,192 |
| <u>Day-to-Day Loan Rate (%)</u> | 3 3/8 | 3 3/4 | 3 1/2 | 3 3/4 | 3 5/8 |
| <u>Average Yield on Treasury Bills (%)</u> | | | | | |
| 91-Day | 3.74 | 3.08 | 3.50 | 3.79 | 3.82 |
| 182-Day | 3.93 | 4.04 | 3.75 | 3.94 | 3.96 |
| <u>Canada Treasury Bills Outstanding (\$ million)</u> | | | | | |
| 91-Day | 1,370 | 1,365 | 1,365 | 1,375 | |
| 182-Day | 770 | 765 | 765 | 765 | |
| 366-Day | 100 | 100 | | | |
| <u>Prime Finance Paper Rates (%)</u> | | | | | |
| 30- 89 Days | 4 - 4 1/2 | 3 7/3 - 4 | 3 1/2 - 3 3/4 | 4 1/8 | 4 1/8 - 4 1/2 |
| 90-179 Days | 4 1/2 - 4 3/8 | 4 1/8 | 3 7/8 - 4 | 4 1/4 | 4 1/2 - 4 5/8 |
| 180-269 Days | 4 1/2 | 4 3/8 - 4 5/8 | 4 1/8 - 4 1/2 | 4 1/2 | 4 5/8-4 3/4 |
| 270-365 Days | 4 1/2 | 4 2/4 | 4 3/8 - 4 1/2 | 4 1/2-4 3/4 | 4 3/4 |
| <u>Prime Commercial Paper Rates (%)</u> | | | | | |
| 24 hr. Demand | 3 7/8-4 1/8 | 3 3/4-3 7/8 | 3 1/2 - 3 5/8 | 4 - 4 1/8 | 4 1/8-4 1/4 |
| 30 day Demand | 4 - 4 1/4 | 3 7/8-4 1/8 | 3 5/8-3 3/4 | 4 1/8-4 1/2 | 4 1/8-4 3/4 |

Source: Equitable Securities Canada Ltd.

REDISCOUNT RATES IN CANADA, THE UNITED STATES, AND THE UNITED KINGDOM
 SELECTED YEARS 1937 TO 1964 AND THEN MONTHLY THEREAFTER

| <u>End of Period</u> | <u>Canada</u> | <u>United States</u> | <u>United Kingdom</u> |
|----------------------|---------------|----------------------|-----------------------|
| | % | % | % |
| 1937 | 2.50 | 1.00 | 2.00 |
| 1948 | 1.50 | 1.50 | 2.00 |
| 1950 | 2.00 | 1.75 | 2.00 |
| 1951 | 2.00 | 1.75 | 2.50 |
| 1952 | 2.00 | 1.75 | 4.00 |
| 1953 | 2.00 | 2.00 | 3.50 |
| 1954 | 2.00 | 1.50 | 3.00 |
| 1955 | 2.75 | 2.50 | 4.50 |
| 1956 | 3.92 | 3.00 | 5.50 |
| 1957 | 3.87 | 3.00 | 7.00 |
| 1958 | 3.74 | 2.50 | 4.00 |
| 1959 | 5.37 | 4.00 | 4.00 |
| 1960 | 3.50 | 3.00 | 5.00 |
| 1961 | 3.24 | 3.00 | 6.00 |
| 1962 | 4.16 | 3.00 | 4.50 |
| 1963 | 4.03 | 3.50 | 4.00 |
| 1964 - January | 4.02 | 3.50 | 4.00 |
| - February | 4.13 | 3.50 | 5.00 |
| - March | 4.13 | 3.50 | 5.00 |
| - April | 3.95 | 3.50 | 5.00 |
| - May | 3.83 | 3.50 | 5.00 |
| - June | 3.84 | 3.50 | 5.00 |
| - July | 3.85 | 3.50 | 5.00 |
| - August | 4.05 | 3.50 | 5.00 |
| - September | 4.04 | 3.50 | 5.00 |
| - October | 3.70 | 3.50 | 5.00 |
| - November | 4.12 | 4.00 | 7.00 |
| - December | 4.07 | 4.00 | 7.00 |

NEW GOVERNMENT OF CANADA BOND ISSUES, 1964

| <u>Issue Date</u> | <u>Amount</u> \$million | <u>Coupon</u> <u>Rates</u> | <u>Price</u> | <u>Date of</u> <u>Maturity</u> | <u>Yield to</u> <u>Maturity</u> |
|-------------------|----------------------------|-------------------------------|--------------|-----------------------------------|------------------------------------|
| | Par Value | % | \$ | | % |
| Feb. 1/64 | 65(1) | 3 1/2 | 99.15 | Feb 1/65 | 4.38 |
| Feb. 1/64 | 105(2) | 3 1/2 | 98.10 | Feb 1/66 | 4.50 |
| Feb. 1/64 | 130(3&A) | 4 1/4 | 98.25 | Jan 15/68 | 4.74 |
| Feb. 1/64 | 50(4) | 5 | 96.25 | Jan 1/82 | 5.27 |
| May 1/64 | 200 | 3 1/2 | 98.90 | July 1/65 | 4.45 |
| May 1/64 | 50(5) | 4 1/2 | 99.65 | Dec 15/66 | 4.64 |
| May 1/64 | 75(B) | 5 | 99.75 | July 1/69 | 5.05 |
| May 1/64 | 75 | 5 1/4 | 98.62 | May 1/90 | 5.35 |
| July 1/64 | 200(C) | 3 1/2 | 99.25 | July 1/65 | 4.27 |
| July 1/64 | 50(6) | 5 1/4 | 99.25 | May 1/90 | 5.30 |
| Oct. 1/64 | 200 | 3 1/2 | 98.35 | Dec 1/65 | 4.52 |
| Oct. 1/64 | 75(7) | 3 3/4 | 97.25 | Oct 1/67 | 4.74 |
| Oct. 1/64 | 125(8) | 5 | 100.00 | Oct 1/68 | 5.00 |
| Dec. 1/64 | 125(9) | 3 1/2 | 99.20 | Dec 1/65 | 4.33 |
| Dec. 1/64 | 350 | 5 | 100.00 | June 1/71 | 5.00 |

- (1) Is an addition to a \$350 million issue dated Dec. 15/62
- (2) Is an addition to a \$225 million issue dated Feb. 1/63
- (3) Is an addition to a \$100 million issue dated Jan. 15/62
& \$150 million " " Dec. 15/62
- (4) Is an addition to a \$100 million issue dated July 1/63
- (5) Is an addition to a \$175 million issue dated Sept. 15/61
& \$75 million " " Dec. 15/63
- (6) Is an addition to a \$75 million issue dated May 1/64
- (7) Is an addition to a \$100 million issue dated May 1/62
- (8) Is an addition to a \$316 million issue dated Oct. 1/63
- (9) Is an addition to a \$200 million issue dated Oct. 1/64
 - (A) Bank of Canada purchased \$75 million worth
 - (B) In addition, the Bank of Canada agreed to acquire a further \$250 million of these bonds in exchange for an equal par value of 3 3/4% bonds maturing September 1/65.
 - (C) Bank of Canada purchased \$100 million worth.

SELECTED GOVERNMENT OF CANADA BONDS, PRICES AND YIELDS
 (As at Mid-Market Close)

| | | | December 31, 1963 | | July 31, 1964 | | December 31, 1964 | | July 31, 1964 to End of 1963 to Dec. 31, 1964 | |
|--------|--------------------|---------|----------------------|------------|------------------|------------|----------------------|------------|---|--------------|
| | | | Price \$ | Yield % | Price \$ | Yield % | Price \$ | Yield % | Price \$ | Yield % |
| 3 3/4% | 1 September 1965 | 99.125 | 4.12 | 97.20 | 4.37 | 99.75 | 3.89 | +2.55 | -0.48 | +0.625 -0.23 |
| 4 1/2% | 15 December 1966 | 100.125 | 4.36 | 99.70 | 4.57 | 100.35 | 4.22 | +0.65 | -0.35 | +0.225 -0.14 |
| 2 3/4% | 15 June 1967/68 | 93.00 | 4.29 | 94.00 | 4.30 | 95.00 | 3.99 | +1.00 | -0.31 | +2.00 -0.30 |
| 4 1/4% | 1 September 1972 | 94.50 | 4.93 | 94.25 | 5.00 | 95.25 | 4.84 | +1.00 | -0.16 | +0.75 -0.09 |
| 3 1/4% | 1 June 1974/76 | 82.75 | 5.05 | 83.00 | 5.09 | 85.50 | 4.83 | +2.50 | -0.28 | +2.75 -0.22 |
| 3 3/4% | 15 January 1975/78 | 85.75 | 5.10 | 85.75 | 5.13 | 87.25 | 4.99 | +1.50 | -0.19 | +1.50 -0.11 |
| 3 1/4% | 1 October 1979 | 79.75 | 5.05 | 80.00 | 5.11 | 82.25 | 4.89 | +2.25 | -0.22 | +2.50 -0.16 |
| 4 1/2% | 1 September 1983 | 91.75 | 5.11 | 90.75 | 5.21 | 93.25 | 5.00 | +2.50 | -0.21 | +1.50 -0.11 |

SELECTED ONTARIO AND H.E.P.C. BONDS, PRICES AND YIELDS
 (As at Mid-Market Close)

| | Change | | | | | | B-5 | |
|-----------------|----------------------|--------|------------------|--------|----------------------|--------|------|-------------------------|
| | December 31, 1963 | | July 31, 1964 | | December 31, 1964 | | | |
| | Price | Yield | Price | Yield | Price | Yield | | |
| <u>ONTARIO</u> | | | | | | | | |
| 3% | 1 Nov. 1963/65 | 97.00 | 4.09 | 98.00 | 3.74 | 98.50 | 3.74 | +0.50 -0.03 +1.50 -0.35 |
| 2 3/4% | 15 Nov. 1965/69 | 98.50 | 4.52 | 91.00 | 4.45 | 91.75 | 4.38 | +0.75 -0.07 +3.25 -0.14 |
| 3% | 15 Dec. 1963/70 | 99.00 | 4.69 | 99.75 | 4.68 | 91.00 | 4.52 | +0.25 -0.16 +2.00 -0.17 |
| 6% | 15 Nov. 1969 | 104.00 | 5.03 | 103.75 | 4.99 | 103.50 | 4.97 | -0.25 -0.02 -0.50 -0.06 |
| 5% | 1 Jan. 1977/79 | 96.50 | 5.25 | 96.25 | 5.37 | 97.00 | 5.20 | +0.75 -0.17 +0.50 -0.05 |
| 5 1/2% | 15 Apr. 1979/81 | 100.25 | 5.38 | 100.25 | 5.39 | 101.50 | 5.26 | +1.25 -0.13 +1.25 -0.12 |
| <u>H.E.P.C.</u> | | | | | | | | |
| 2 3/4 | 1 Oct. 1965/66 | 91.50 | 4.43 | 93.00 | 4.32 | 93.25 | 4.23 | -0.25 +0.01 +1.75 -0.15 |
| 3 | 15 June 1971/73 | 85.00 | 4.86 | 86.00 | 4.30 | 87.00 | 4.73 | +1.00 -0.07 +2.00 -0.13 |
| 3 1/2 | 1 March 1975/77 | 83.50 | 5.12 | 83.25 | 5.20 | 84.50 | 5.11 | +1.25 -0.09 +1.00 -0.01 |
| 4 1/2 | 1 March 1976/78 | 91.75 | 5.22 | 91.50 | 5.27 | 92.00 | 5.23 | +0.50 -0.04 +0.25 +0.01 |
| 5 | 15 Oct. 1977/78 | 96.25 | 5.27 | 96.50 | 5.25 | 97.00 | 5.20 | +0.50 -0.05 +0.75 -0.07 |
| 6 | 15 Feb. 1978/20 | 105.00 | 5.39 | 104.75 | 5.45 | 105.50 | 5.32 | +0.75 -0.13 +0.50 -0.07 |

MID-MONTH YIELDS OF SELECTED GOVERNMENT OF CANADA, PROVINCE OF ONTARIO AND H.E.P.C. VARIED COUPON ISSUES FROM JANUARY 1964 TO DECEMBER 1964

| | <u>Canada</u> | <u>Ontario</u> | <u>H.E.P.C.</u> | <u>Canada</u> | <u>Ontario</u> | <u>H.E.P.C.</u> | <u>Canada</u> | <u>Ontario</u> | <u>H.E.P.C.</u> |
|-------------|--------------------|---------------------|---------------------|--------------------|---------------------|-----------------|-------------------|--------------------|--------------------|
| 4 1/4% | 3% | 2 3/4% | 2 3/4% | 2 2/4% | 2 3/4% | 3% | 5 1/2% | 5% | 5% |
| June 1 | Nov. 1, 1963/65 | Oct. 10, 1965/68 | June 15, 1967/68 | Nov. 15 1965/69 | June 15, 1971/73 | Aug. 1 1980 | Aug. 1 1977/79 | Jan. 10 1977/79 | Oct. 15 1977/78 |
| 1967 | % | % | % | % | % | % | % | % | % |
| <hr/> | | | | | | | | | |
| 1964 | | | | | | | | | |
| January | 4.49 | 4.29 | 4.48 | 4.37 | 4.63 | 4.86 | 5.23 | 5.29 | 5.30 |
| February | 4.41 | 4.04 | 4.55 | 5.35 | 4.58 | 4.23 | 5.21 | 5.25 | 5.25 |
| March | 4.50 | 4.28 | 4.53 | 4.45 | 4.62 | 4.90 | 5.25 | 5.27 | 5.29 |
| April | 4.59 | 4.12 | 4.61 | 4.55 | 4.68 | 4.90 | 5.27 | 5.29 | 5.39 |
| May | 4.60 | 3.86 | 4.51 | 4.42 | 4.54 | 4.86 | 5.25 | 5.32 | 5.32 |
| June | 4.41 | 3.86 | 4.41 | 4.24 | 4.91 | 4.27 | 5.25 | 5.31 | 5.30 |
| July | 4.50 | 3.77 | 4.38 | 4.22 | 4.54 | 4.80 | 5.05 | 5.37 | 5.25 |
| August | 4.61 | 3.82 | 4.34 | 4.30 | 4.45 | 4.81 | 5.13 | 5.27 | 5.25 |
| September | 4.72 | 3.91 | 4.34 | 4.34 | 4.45 | 4.84 | 5.24 | 5.27 | 5.25 |
| October | 4.66 | 3.91 | 4.33 | 4.31 | 4.50 | 4.80 | 5.24 | 5.27 | 5.25 |
| November | 4.35 | 3.74 | 4.33 | 4.20 | 4.41 | 4.78 | 5.05 | 5.18 | 5.25 |
| December | 4.30 | 3.74 | 4.33 | 4.14 | 4.38 | 4.73 | 5.04 | 5.20 | 5.20 |

B-6

Source: A. E. Ames & Co. Ltd.

COMPARISON OF SPREAD BETWEEN LONG-TERM GOVERNMENT OF CANADA YIELDS AND YIELDS ON COMPARABLE PROVINCIAL, MUNICIPAL, PUBLIC UTILITY AND INDUSTRIAL BOND ISSUES, ANNUALLY FROM 1948 TO 1963 AND MONTHLY TO DATE

| Annual Average | Long(1) Term Canada % | 10 Provincial Bonds % | | 10 Municipal Bonds % | | 10 Utility Bonds % | | 10 Industrial Bonds % | | 40 Bond Average % | | |
|-----------------|--------------------------------|--------------------------------|-------------|-------------------------------|-------------|-----------------------------|-------------|--------------------------------|-------------|----------------------------|-------------|------|
| | | Spread % | Spread % | Spread % | Spread % | Spread % | Spread % | Spread % | Spread % | Spread % | Spread % | |
| 1948 | 2.91 | 3.36 | 0.45 | 3.69 | 0.78 | 3.72 | 0.81 | 3.79 | 0.88 | 3.64 | 0.73 | |
| 1949 | 2.86 | 3.16 | 0.30 | 3.57 | 0.71 | 3.39 | 0.53 | 3.57 | 0.71 | 3.42 | 0.56 | |
| 1950 | 2.77 | 3.12 | 0.35 | 3.46 | 0.69 | 3.33 | 0.56 | 3.50 | 0.73 | 3.35 | 0.58 | |
| 1951 | 3.17 | 3.55 | 0.48 | 4.07 | 0.90 | 3.82 | 0.65 | 3.89 | 0.72 | 3.86 | 0.68 | |
| 1952 | 3.54 | 4.14 | 0.60 | 4.65 | 1.11 | 4.23 | 0.69 | 4.29 | 0.75 | 4.33 | 0.79 | |
| 1953 | 3.68 | 4.15 | 0.47 | 4.66 | 0.98 | 4.36 | 0.68 | 4.49 | 0.81 | 4.42 | 0.74 | |
| 1954 | 3.13 | 3.55 | 0.42 | 3.92 | 0.85 | 3.94 | 0.21 | 4.14 | 1.01 | 3.90 | 0.77 | |
| 1955 | 2.99 | 3.28 | 0.39 | 3.71 | 0.72 | 3.73 | 0.74 | 3.98 | 0.99 | 3.71 | 0.72 | |
| 1956 | 3.58 | 4.16 | 0.58 | 4.57 | 0.99 | 4.23 | 0.70 | 4.53 | 0.95 | 4.39 | 0.81 | |
| 1957 | 4.12 | 5.02 | 0.90 | 5.52 | 1.40 | 5.21 | 1.09 | 5.38 | 1.26 | 5.28 | 1.16 | |
| 1958 | 4.02 | 4.70 | 0.63 | 5.13 | 1.11 | 4.90 | 0.88 | 4.92 | 0.96 | 4.93 | 0.91 | |
| 1959 | 5.05 | 5.55 | 0.50 | 5.89 | 0.84 | 5.51 | 0.46 | 5.54 | 0.49 | 5.62 | 0.57 | |
| 1960 | 5.23 | 5.65 | 0.42 | 6.00 | 0.77 | 5.68 | 0.45 | 5.71 | 0.47 | 5.76 | 0.53 | |
| 1961 | 4.93 | 5.49 | 0.56 | 5.71 | 0.78 | 5.41 | 0.42 | 5.42 | 0.55 | 5.52 | 0.59 | |
| 1962 | 4.93 | 5.50 | 0.52 | 5.70 | 0.72 | 5.41 | 0.43 | 5.45 | 0.47 | 5.52 | 0.54 | |
| 1963 | 4.93 | 5.43 | 0.50 | 5.52 | 0.65 | 5.47 | 0.54 | 5.37 | 0.44 | 5.46 | 0.53 | |
| Monthly Average | | | | | | | | | | | | |
| 1964 | January 31 | 5.05 | 5.58 | 0.53 | 5.72 | 0.67 | 5.52 | 0.47 | 5.48 | 0.43 | 5.57 | 0.52 |
| | February 28 | 5.13 | 5.61 | 0.48 | 5.71 | 0.58 | 5.55 | 0.42 | 5.49 | 0.36 | 5.59 | 0.46 |
| | March 31 | 5.18 | 5.57 | 0.39 | 5.71 | 0.53 | 5.57 | 0.39 | 5.52 | 0.34 | 5.59 | 0.41 |
| | April 30 | 5.16 | 5.55 | 0.39 | 5.66 | 0.54 | 5.57 | 0.41 | 5.50 | 0.34 | 5.57 | 0.41 |
| | May 29 | 5.05 | 5.53 | 0.48 | 5.63 | 0.63 | 5.54 | 0.49 | 5.47 | 0.42 | 5.55 | 0.50 |
| | June 30 | 5.04 | 5.53 | 0.49 | 5.69 | 0.65 | 5.33 | 0.49 | 5.51 | 0.47 | 5.56 | 0.52 |
| | July 31 | 5.09 | 5.59 | 0.48 | 5.71 | 0.52 | 5.51 | 0.42 | 5.54 | 0.45 | 5.59 | 0.50 |
| | August 31 | 5.08 | 5.54 | 0.46 | 5.70 | 0.62 | 5.49 | 0.41 | 5.52 | 0.44 | 5.56 | 0.48 |
| | September 30 | 5.02 | 5.52 | 0.50 | 5.65 | 0.63 | 5.49 | 0.47 | 5.51 | 0.49 | 5.54 | 0.52 |
| | October 31 | 4.95 | 5.48 | 0.53 | 5.57 | 0.62 | 5.49 | 0.54 | 5.49 | 0.51 | 5.51 | 0.56 |
| | November 30 | 5.01 | 5.44 | 0.43 | 5.60 | 0.59 | 5.49 | 0.48 | 5.49 | 0.48 | 5.51 | 0.50 |
| | December 31 | 4.96 | 5.41 | 0.45 | 5.57 | 0.61 | 5.48 | 0.52 | 5.47 | 0.51 | 5.48 | 0.52 |

Source: McLeod, Young, Weir and Company Limited; 40 Bond Yield Average.
(1) The Yield for long-term Canada is based on a single bond, whereas 10 are used in the other fields.

Trends in Industrial Stock Indices - 1948-1964

| | Canada | | | New York | | | Standard and Poor's(3) | | |
|-------|-------------------------------|--------|--------|--------------|--------|--------|------------------------|-------|--------|
| | Toronto Stock Exchange(1) | | | Dow-Jones(2) | | | | | |
| | High | Low | Spread | High | Low | Spread | High | Low | Spread |
| 1948 | 191.44 | 149.13 | 42.31 | 193.16 | 165.39 | 27.77 | 16.93 | 13.58 | 3.35 |
| 1949 | 207.36 | 157.28 | 50.08 | 200.52 | 161.60 | 38.92 | 16.52 | 13.23 | 3.29 |
| 1950 | 291.31 | 203.27 | 88.04 | 235.47 | 196.81 | 38.66 | 20.60 | 16.34 | 4.26 |
| 1951 | 360.88 | 290.69 | 70.19 | 276.37 | 238.99 | 37.38 | 24.33 | 20.85 | 3.48 |
| 1952 | 343.50 | 309.34 | 34.16 | 292.00 | 256.35 | 35.65 | 26.92 | 23.30 | 3.62 |
| 1953 | 326.81 | 295.79 | 30.02 | 293.79 | 255.49 | 38.30 | 26.99 | 22.70 | 4.29 |
| 1954 | 334.18 | 311.85 | 72.33 | 404.39 | 279.87 | 124.52 | 37.24 | 24.84 | 12.40 |
| 1955 | 455.90 | 374.18 | 81.72 | 488.40 | 388.20 | 100.20 | 49.54 | 35.66 | 13.88 |
| 1956 | 506.33 | 430.46 | 75.87 | 521.05 | 462.35 | 58.70 | 52.28 | 45.71 | 7.57 |
| 1957 | 490.42 | 380.06 | 104.36 | 520.77 | 419.79 | 100.98 | 53.58 | 41.52 | 12.06 |
| 1958 | 515.02 | 398.63 | 116.39 | 583.65 | 436.89 | 146.76 | 58.97 | 43.20 | 15.77 |
| 1959 | 555.65 | 489.77 | 65.88 | 683.90 | 571.73 | 112.17 | 65.81 | 56.75 | 9.06 |
| 1960 | 532.84 | 472.30 | 60.54 | 625.47 | 566.05 | 119.42 | 65.02 | 55.34 | 9.68 |
| 1961 | 620.48 | 524.13 | 95.35 | 734.91 | 610.25 | 124.66 | 76.69 | 60.87 | 15.82 |
| 1962 | (Based on Closing Quotations) | | | | | | | | |
| Jan. | 622.90 | 599.79 | 23.11 | 726.01 | 689.92 | 36.09 | 75.22 | 71.68 | 3.54 |
| Feb. | 623.29 | 608.79 | 14.50 | 717.55 | 702.54 | 15.01 | 74.67 | 73.21 | 1.46 |
| Mar. | 628.60 | 617.56 | 11.04 | 723.54 | 706.63 | 16.91 | 75.10 | 73.36 | 1.74 |
| Apr. | 623.93 | 607.73 | 16.20 | 705.42 | 665.33 | 40.09 | 73.15 | 68.58 | 4.58 |
| May | 617.73 | 557.96 | 69.77 | 675.49 | 576.93 | 98.56 | 70.13 | 60.02 | 10.11 |
| June | 566.13 | 510.23 | 55.90 | 611.05 | 535.76 | 75.29 | 62.37 | 54.80 | 7.57 |
| July | 540.52 | 522.35 | 18.17 | 597.93 | 571.24 | 26.69 | 61.03 | 58.48 | 2.55 |
| Aug. | 561.96 | 529.21 | 22.75 | 616.00 | 588.35 | 27.65 | 62.67 | 60.02 | 2.65 |
| Sept. | 554.17 | 529.08 | 25.09 | 607.63 | 574.12 | 33.51 | 61.90 | 58.22 | 3.68 |
| Oct. | 536.13 | 518.52 | 17.61 | 589.77 | 558.06 | 31.71 | 59.80 | 55.70 | 4.10 |
| Nov. | 571.91 | 537.90 | 34.01 | 652.61 | 597.13 | 55.48 | 65.44 | 59.49 | 5.95 |
| Dec. | 576.50 | 564.48 | 12.02 | 653.99 | 640.14 | 13.85 | 66.00 | 64.89 | 1.11 |
| 1963 | (Based on Closing Quotations) | | | | | | | | |
| Jan. | 600.98 | 577.55 | 23.43 | 683.73 | 646.79 | 36.94 | 69.21 | 65.48 | 3.73 |
| Feb. | 599.90 | 536.19 | 13.71 | 683.96 | 662.94 | 26.02 | 69.54 | 67.14 | 2.40 |
| Mar. | 605.08 | 588.69 | 16.39 | 684.73 | 659.72 | 25.01 | 69.83 | 66.99 | 2.84 |
| Apr. | 636.68 | 603.97 | 32.71 | 718.33 | 684.27 | 34.06 | 73.29 | 70.02 | 3.27 |
| May | 647.96 | 636.37 | 11.59 | 726.96 | 717.95 | 9.01 | 74.35 | 72.89 | 1.46 |
| June | 649.58 | 628.25 | 21.33 | 726.49 | 706.03 | 20.46 | 74.25 | 72.43 | 1.82 |
| July | 637.31 | 610.52 | 26.79 | 714.09 | 687.71 | 26.38 | 73.74 | 71.16 | 2.58 |
| Aug. | 619.29 | 613.63 | 5.66 | 729.32 | 694.87 | 34.45 | 76.09 | 72.41 | 3.68 |
| Sept. | 649.08 | 621.15 | 27.93 | 748.71 | 732.02 | 16.69 | 77.22 | 75.47 | 1.75 |
| Oct. | 660.03 | 642.19 | 17.84 | 760.50 | 737.94 | 22.56 | 78.87 | 76.06 | 2.81 |
| Nov. | 134.19 | 129.23 | 4.96 | 753.77 | 711.49 | 42.28 | 78.11 | 73.43 | 4.68 |
| Dec. | 137.49 | 133.24 | 4.25 | 767.21 | 751.82 | 15.39 | 79.25 | 77.85 | 1.40 |
| 1964 | (Based on Closing Quotations) | | | | | | | | |
| | High | Low | Close | High | Low | Close | High | Low | Close |
| Jan. | 142.71 | 138.48 | 141.36 | 787.78 | 766.08 | 785.43 | 81.83 | 79.74 | 81.58 |
| Feb. | 141.18 | 139.70 | 139.70 | 800.14 | 783.04 | 800.14 | 82.53 | 81.21 | 82.42 |
| Mar. | 145.35 | 140.35 | 145.35 | 820.25 | 802.75 | 813.29 | 84.33 | 82.63 | 83.87 |
| Apr. | 152.28 | 146.06 | 151.09 | 827.33 | 810.63 | 810.63 | 85.60 | 84.16 | 84.41 |
| May | 156.53 | 152.07 | 156.53 | 830.17 | 817.10 | 820.56 | 86.36 | 85.21 | 85.37 |
| June | 157.01 | 152.67 | 157.01 | 831.50 | 800.31 | 831.50 | 86.66 | 83.33 | 86.66 |
| July | 160.82 | 157.14 | 160.18 | 851.35 | 837.96 | 841.10 | 89.05 | 87.30 | 88.01 |
| Aug. | 160.05 | 157.97 | 158.98 | 842.03 | 823.40 | 838.48 | 87.79 | 85.91 | 86.52 |
| Sept. | 165.30 | 158.72 | 165.20 | 875.74 | 844.00 | 875.37 | 89.23 | 86.92 | 89.12 |
| Oct. | 167.31 | 165.00 | 165.50 | 881.50 | 868.44 | 873.08 | 90.22 | 88.99 | 89.72 |
| Nov. | 169.33 | 164.88 | 165.78 | 891.71 | 870.64 | 875.43 | 91.29 | 89.23 | 89.23 |
| Dec. | 165.91 | 161.76 | 165.91 | 874.13 | 857.45 | 874.13 | 89.62 | 87.83 | 89.62 |

(1) T.S.E. Index - 60 Industrials (1948-Oct. 1963).

New 79 Industrials commencing with November.

(2) Dow-Jones - 30 Industrials.

(3) Standard and Poor's Index - 425 Industrials.
(1941-43=100).

